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No. 05-130

In the Supreme Court of the United States

EBAY INC. AND HALF.COM, INC.,

Petitioners,

v.

MERCEXCHANGE, L.L.C.,

Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMICI CURIAE QUALCOMM INCORPORATED, TESSERA, INC. AND BIOGEN IDEC INC. IN SUPPORT OF RESPONDENT

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QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit erred when it followed this Court's decision in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908), and applied the well-established presumption that a patentee who obtains a judgment of infringement of a valid patent is entitled to a permanent injunction to enforce its statutory right to exclude others from practicising the invention.

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BRIEF OF AMICI CURIAE QUALCOMM, INC., TESSERA, INC. AND BIOGEN IDEC INC. IN SUPPORT OF RESPONDENT

Interest of the *Amici*

This brief is filed with the consent of the parties[1] on behalf of QUALCOMM Incorporated, Tessera, Inc. and Biogen Idec Inc. Qualcomm is a leading developer and

[1] The parties' letters of consent have been filed with the Clerk in compliance with Rule 37.3. This brief was not authored in whole or in part by counsel for any party. No person or entity other than the *amici* made a monetary contribution to the preparation or submission of this brief.

innovator of Code Division Multiple Access (CDMA) and other advanced wireless technologies. Headquartered in San Diego, Calif., Qualcomm is included in the S&P 500 Index and is a 2005 FORTUNE 500® company. Qualcomm presently has more than 3,000 United States patents and patent applications. Qualcomm's technology and semiconductor products are widely used in the manufacture of cellular telephones and other wireless devices. Qualcomm has licensed its technology to more than 125 leading telecommunications and consumer electronics equipment manufacturers around the world.

Tessera is a leading provider of miniaturization technologies enabling the semiconductor industry to build smaller, faster, and more reliable electronic products. Tessera presently has over 325 issued United States patents and over 50 licensees in the area of computer chip packaging technology, including the world's top semiconductor companies such as Intel, Samsung, Renesas, Toshiba and Texas Instruments, as well as a number of universities. Over 4.5 billion computer chips incorporating Tessera's miniaturization technology have been integrated into a range of wireless, computing, gaming, entertainment, medical, and defense-related electronic products. Tessera's ability to continue to innovate depends upon its ability to license its technology and enforce its patents.

Biogen Idec Inc. is a global biotechnology company with leading protein-based therapeutic products for oncology, neurology and immunology. Biogen Idec presently has over 180 issued United States patents and is a licensor or licensee of numerous patents. Biogen Idec was created by the 2003 merger of Biogen, founded in 1978, and IDEC Pharmaceuticals, founded in 1985. In the past 27 years, Biogen Idec has invested more than $3.9 billion in the research and development of biologics, and has discovered

more than 7 significant therapies for serious and life-threatening diseases, including multiple sclerosis, cancer, hepatitis B and psoriasis. Because the development and commercial production of biologics involves an extensive effort to invent, develop, test and gain federal approval, Biogen Idec's ability to innovate depends upon its ability enforce its patents and license its technology.

The viability of the wireless, semiconductor miniaturization and biotechnology industries depends in significant part on the maintenance of strong patent laws. The *amici* believe the well-established presumption in favor of permanent injunctive relief to implement a final judgment of infringement is essential to the ability of patent holders to enforce their patents. The petition in this case seeks to dramatically alter the established system and would, if granted, cast a cloud over the ability of holders of United States patents to maintain technological leadership.

Summary of Argument

Contrary to the argument in the Petition, the decision of the Federal Circuit does not conflict with this Court's prior decisions, the prior decisions of the various Courts of Appeals, or the requirements of 35 U.S.C. § 283. The Federal Circuit decision properly applies a well-established principle of patent law decided by this Court in the 1908 *Paper Bag Case*.

Moreover, the issue presented is presently pending before Congress in its consideration of the Patent Act of 2005, a fact that warrants the Court's exercise of judicial restraint to permit the legislative process to continue. Finally, it is likely that no injunction will ever issue given the fact that all of the claims in all of the patents-in-suit have been rejected by the Patent Office in re-examination

proceedings commenced after the judgment of infringement was entered. (Pet. at 15, n. 2)

Argument

I. The Court of Appeals Correctly Followed Almost 100 Years of Precedent When It Held that a Prevailing Patentee is Presumptively Entitled to an Injunction to Enforce Its "Right to Exclude" Infringers

The petition in this case rests on the erroneous assertion that the Court of Appeals' decision "is fundamentally incompatible with this Court's precedents . . . ." (Pet. at 2). Nothing could be further from the truth. Since the earliest days of the United States patent system, the Justices of this Court have recognized that the fundamental right protected by patents is the "right to exclude" others from infringing and that this right can only be protected through injunctions. Accordingly, this Court long ago established the presumption that the Court of Appeals correctly applied in this case.

A. Contrary to Petitioners' Implication, The Court's Decision in the Paper Bag Patent Case Established The Principle That A Prevailing Patentee is Presumptively Entitled to an Injunction

With only one exception, the discussion of the Court's precedents in the petition does not consider any patent cases involving an injunction. The sole exception is the discussion of the 1908 decision in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, at page 24 of the petition. The petition's selective quote from that decision

seems to provide support for the proposition that the presumption of a final injunction is inconsistent with the Court's precedents. A reading of the entire paragraph from the opinion reveals that this Court squarely rejected the argument advanced by the petitioners. The *Paper Bag Case* decision is in fact the foundation of the established presumption applied here by the Court of Appeals. What petitioners actually seek is to overrule the Court's 1908 decision.

The *Paper Bag Case* was a bill in equity to enjoin the Continental Paper Bag Co., a competitor of the Eastern Paper Bag Co., from infringing a patent covering a particular machine for making paper bags. Continental argued that a court of equity had no jurisdiction to issue an injunction because Eastern's patent was "a mere paper proposition which [Eastern] has never put into effect or use." *Id.* at 406. Continental made the same policy argument that the petitioners advance here: "[I]t is contrary to equity to suppress a useful and established business" in a case where the patent owner "simply owns [a] patent that has never been employed by that complainant in any way. . . ." *Id.* at 406-07. The Circuit Court had expressly recognized that "the complainant, so to speak, locked up its patent. It ha[d] never attempted to make any practical use of it, either itself or through licenses, and, apparently, its proposed policy has been to avoid this." *Id.* at 427-28. That court had "no doubt that the complainant stands in the common class of manufacturers who accumulate patents merely for the purpose of protecting their general industries and shutting out competitors." *Id.* at 428.

The Court answered the policy argument unequivocally:

> As to the suggestion that competitors were excluded from the use of the new patent, we answer that such exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive.
>
> The right which a patentee receives does not need much further explanation. We have seen that it has been the judgment of Congress from the beginning that the sciences and the useful arts could be best advanced by giving an exclusive right to an inventor.
>
> *Id.* at 429 (internal citation omitted).

This Court concluded that Eastern was entitled to an injunction, notwithstanding the fact that it never made any use of the patented invention.

Petitioners quote three isolated sentences from the Court's *Paper Bag Case* decision to support their suggestion that the Court of Appeals' decision ignores this Court's established jurisprudence. The error in that selective quotation is apparent from a reading of the complete paragraph in the 1908 decision:

> From the character of the right of the patentee we may judge of his remedies. It hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention

> of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee. *If the conception of the law that a judgment in an action at law is reparation for the trespass, it is only for the particular trespass that is the ground of the action. There may be other trespasses and continuing wrongs and the vexation of many actions. These are well-recognized grounds of equity jurisdiction, especially in patent cases, and a citation of cases is unnecessary.* Whether, however, a case cannot arise where, regarding the situation of the parties in view of the public interest, a court of equity might be justified in withholding relief by injunction we do not decide.

Continental Paper Bag, 210 U.S. at 429, (portion quoted by Petitioners in italics).

It is clear beyond question that this Court established a special rule for injunctions in patent cases. Because the essential right granted by a patent is the right to exclude others from using the invention, that right can only be assured by an injunction, unless there is a public interest factor that justifies withholding injunctive relief.

B. The Decision in the Paper Bag Patent Case Rested on Well-Established Principles of Equity and Patent Law

The Court's decision in the *Paper Bag Case* rested on principles of patent law that had been established at the beginning of the patent system in 1790. Chief Justice Marshall noted in 1823 that "it cannot be doubted that the

settled purpose of the United States has ever been, and continues to be, to confer on the authors of useful inventions an exclusive right in their inventions for the time mentioned in their patent." *Grant v. Raymond*, 31 U.S. 218, 241 (1823). The following year Justice Story noted that "[t]he patent acts have given to the patentee a right to sue at common law, for damages for any violation of his invention; and have given him a farther right to claim the interference of a Court of equity, by way of injunction, to protect the enjoyment of his patent." *Ex parte Wood*, 22 U.S. 603, 608-09 (1824).

Justice Story subsequently stated that "[i]t is quite plain that, if no other remedy could be given in cases of patents and copyrights than an action at law for damages, the inventor or author might be ruined by the necessity of perpetual litigation without ever being able to have a final establishment of his rights." Story, COMMENTARIES ON EQUITY JURISPRUDENCE AS ADMINISTERED IN ENGLAND AND AMERICA § 931 (13ed. 1886). He noted that, as with the first English patent law in 1624, injunctive relief became firmly established in the courts of Chancery during the reign of James I. *Id.*

The Court in the *Paper Bag Case* reviewed its prior cases that expressed its views on the relative rights of the patent and the public, and found that "whenever this court has had occasion to speak it has decided that an inventor receives from a patent the right to exclude others from its use for the time prescribed in the statute." 210 U.S. at 425.

C. The Court Has Consistently Recognized The Patentee's Entitlement to An Injunction in Its Decisions After the Paper Bag Patent Case

Petitioners suggest that there is a public policy in favor of allowing competitors to infringe and pay damages

when a patent is not being practiced through commercial use. (Pet. 25-27). The Court rejected the argument more than a century ago:

> Counsel seem to argue that one who has made an invention and thereupon applies for a patent therefor, occupies, as it were, the position of a quasi trustee for the public; that he is under a sort of moral obligation to see that the public acquires the right to the free use of that invention as soon as is conveniently possible. We dissent entirely from the thought thus urged. The inventor is one who has discovered something of value. *It is his absolute property.* He may withhold the knowledge of it from the public, and he may insist upon all the advantages and benefits which the statute promises to him who discloses to the public his invention.

United States v. American Bell Tel. Co., 167 U.S. 224, 250 (1897)(emphasis added).

The decision in the *Paper Bag Case* has been cited and consistently followed in subsequent decisions. *E.g., United States v. United Shoe Machinery Co.*, 247 U.S. 32, 57 (1918); *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 34-35 (1923); *Hartford-Empire Co. v. United States*, 323 U.S. 386, 417 (1945); *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980). There is no need to reconsider that established precedent.

D. There Is No Conflict Among the Circuits or Within the Federal Circuit

Petitioners recognize that there is no conflict among the circuits (Pet. at 21), but they suggest the decision in this case conflicts with prior Federal Circuit decisions. (Pet. at 17-18). In fact the Federal Circuit has followed and applied the *Pager Bag Patent Case* precedent throughout its history.

Almost exactly a year after its creation, the Federal Circuit recognized the established presumption in favor of injunctive relief for patentees who obtained a judgment of infringement and validity.

> Once the patentee's patents have been held to be valid and infringed, he should be entitled to the full enjoyment and protection of his patent rights. . . . A court should not be reluctant to use its equity powers once a party has so clearly established his patent rights. We hold that where validity and continuing infringement have been clearly established, as in this case, immediate irreparable harm is presumed. To hold otherwise would be contrary to the public policy underlying the patent laws.

Smith International, Inc. v. Hughes Tool Co., 718 F.2d 1573, 1581 (Fed. Cir. Oct. 6, 1983). The Federal Circuit noted and discussed the specific language of 35 U.S.C. § 283 in *Roche Products, Inc. v. Bolar Pharmaceutical Co., Inc.*, 733 F.2d 858, 865 (Fed. Cir. 1984) and *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1564 (Fed. Cir. 1984). That court noted that "[w]hile the grant of injunctive authority is clearly in discretionary terms, injunctive relief against an infringer is the norm." *KSM Fastening Systems v.*

H.A. Jones Co., 776 F.2d 1522, 1524 (Fed. Cir. 1985). The presumption was again recognized in *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) ("Although the district court's grant or denial of an injunction is discretionary depending on the facts of the case, injunctive relief against an adjudged infringer is usually granted. This court has indicated that an injunction should issue once infringement has been established unless there is a sufficient reason for denying it.") (internal citations omitted).

The Federal Circuit has not decreed that permanent injunctions are automatic once there is a judgment for infringement of a valid patent. "If a patentee's failure to practice a patented invention frustrates an important public need for the invention, a court need not enjoin infringement of the patent. . . . *See, e.g., Hybritech, Inc. v. Abbott Lab.*, 4 U.S.P.Q.2D (BNA) 1001 (C.D. Cal. 1987) (public interest required that injunction not stop supply of medical test kits that the patentee itself was not marketing), *aff'd*, 849 F.2d 1446 (Fed. Cir. 1988). . . ." *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547-48 (Fed. Cir. 1995) (en banc). The Federal Circuit's view is consistent with the scope of the Court's decision in the *Paper Bag Case*, in which the Court reserved judgment as to "[w]hether, . . ., a case cannot arise where, regarding the situation of the parties in view of the public interest, a court of equity might be justified in withholding relief by injunction . . . ." 210 U.S. at 430. It is important to note that the Federal Circuit recognizes that the public interest is not -- as Petitioner describes it -- limited to public health considerations, but extends to all matter of public concern.

II. The Court Need Not Step Into the Ongoing Legislative Consideration of the Established Policy Regarding Injunctions in Patent Cases

The petition includes a public policy argument for changing settled law regarding injunctions to protect a patentee's right to exclude. The same argument is presently being advanced in Congress in support of pending legislative proposals to amend the patent laws. *See, e.g., Oversight Hearing on the Committee Print Regarding Patent Quality Improvement. (Part I), House Jud. Comm. (Apr. 20, 2005); Legislative Hearing on H.R. 2795, the "Patent Act of 2005.", House Jud. Comm. (June 9, 2005); Legislative Hearing on "The Amendment in the Nature of a Substitute to H.R. 2795, the 'Patent Act of 2005'", House Jud. Comm. (Sept. 14, 2005)".* The petitioners here seek to obtain the same result that the proponents of pending legislation seek to obtain from Congress.

The pending legislative process has precipitated extensive debate and testimony before congressional committees. As is true with other controversial policy issues, the legislative process affords all interested parties an opportunity to state their views and engage in full and active dialogue with the decision-makers. The judicial process necessarily affords a far less fulsome and democratic mechanism for hearing and considering the full range views of the affected entities.

Judicial restraint counsels against the Court's exercise of discretion to grant review when the issue is actively under consideration by the Legislative Branch. As Justice Powell stated for himself, Chief Justice Burger and Justice Blackmun, "confidence in the restraint of the Court is

impaired, when we appear unnecessarily to decide sensitive issues of broad social and political importance at the very time they are under consideration within the prescribed constitutional processes." *Frontiero v. Richardson*, 411 U.S. 677, 692 (1973) (concurring opinion). That observation regarding the pendency of the Equal Rights Amendment applies equally as well to this petition given the pendency of the Patent Act of 2005.

III. This Case Is Not Appropriate For Review Because No Injunction Has Been Entered and an Injunction May Not Ever Be Entered

No injunction has issued in this case. The district court denied an injunction and the mandate of the Federal Circuit has been stayed. In the meantime, the United States Patent and Trademark Office has questioned the patentability of all of the patents on which the judgment of infringement was entered, and all of the claims in all of the patents at issue stand rejected in the reexamination proceedings at the request of petitioner eBay, Inc. (Pet. at n. 2, p. 15).[2] While the administrative proceedings have not reached the stage of a final determination of invalidity, it appears that the patents in issue will be held to be void *ab initio*. By the time this matter returns to the district court, the legal basis for any

[2] As of September 23, those patents remain rejected.

injunction may well have disappeared.[3] Accordingly this particular case is an inappropriate vehicle for review, even if the issue presented justified review by the Court.

Conclusion

For the reasons stated, the Court should deny the Petition.

Respectfully submitted,

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[3] If the Court denies the petition the case could be returned to the district court in the late fall/early winter of this year. If the Court were to invite the Solicitor General to submit his views and thereafter deny the petition, the case would not likely return to the district court until sometime in 2006. If the Court were to grant the petition and hear argument, the delay in any action by the district court would be even greater. Since the reexamination proceeding will continue regardless of the Court's action on the petition, granting review would only increase the probability that no injunction will ever be entered, rendering any decision here moot.